



Interim Report
as of September 30, 2015
NorCell Sweden Holding 2 AB (publ) Group

FOR IMMEDIATE RELEASE

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IMPORTANT INFORMATION

For investors and prospective investors in NorCell Sweden Holding 2 AB (publ) Senior Notes, please refer to this interim report as of September 30, 2015 (the "**Interim Report**") presenting the NorCell Sweden Holding 2 AB (publ) Group's condensed consolidated financial statements for the period July 1, 2015 to September 30, 2015 and January 1, 2015 to September 30, 2015.

In this Interim Report, the terms "we", "our", "us", the "Company", the "Group" and "Com Hem", refer to NorCell Sweden Holding 2 AB (publ), or NorCell Sweden Holding 2 AB (publ) and its subsidiaries, as the context requires. The term "**NorCell Group**" refers to NorCell Sweden Holding 2 AB (publ) and its subsidiaries. Com Hem Holding AB is the parent company of NorCell Sweden Holding 2 AB (publ). The Com Hem Holding AB share is listed on Nasdaq Stockholm.

Certain numerical information and other amounts and percentages presented in this Interim Report may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

As used herein, the symbol "n/m" means "not meaningful", and "n/a" means "not applicable".

For definitions and glossary, please refer to the Group's Annual Report 2014.

This Interim Report has not been reviewed by the Company's auditors.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report contains various forward-looking statements that reflect Management's current view with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Interim Report, including, without limitation, in the sections entitled "*Results of Operations and Financial Condition*", and include, among other things, statements relating to:

- The Group's strategy, outlook and growth prospects;
- the Group's operational and financial targets;
- the Group's liquidity, capital resources and capital expenditures;
- the Group's planned investments;
- the expectations as to future growth in demand for the Group's products and services;
- general economic trends and trends in the television and telecommunications industries;
- the impact of regulations on the Group and the Group's operations;
- the competitive environment in which the Group operates; and
- the outcome of legal proceedings.

Although Com Hem believes that the expectations reflected in these forward-looking statements are reasonable, Com Hem can give no assurances that they will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of, among others:

- Television, broadband and fixed-telephony penetration and other market developments;
- competition from local or international cable, telecommunications, media, production or alternative technology companies, including local area networks, satellite, Internet-protocol television, hybrid television, wireless broadband companies and OTT services;
- changes in international, national and local economic, political, business, industry and tax conditions;
- changes in underlying consumer behavior, including changes in consumer television viewing and preferences;
- changes in technology;
- changes in content prices;
- consolidation in the cable or telecommunications industry;
- the Group's ability to generate the funds needed to service the Group's debt;
- factors affecting the Group's leverage and the Group's ability to service debt;
- the effects of operating and financial restrictions in the Group's debt instruments;
- the ability to successfully develop and expand the range of products and services offered;
- the ability to retain or replace key personnel; and
- change in the Group's business strategy, development and investment plans.

These forward-looking statements speak only as of the date of this Interim Report. Com Hem expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, investors and prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

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OPERATING PERFORMANCE AND KEY FINANCIAL RESULTS

The following chapter presents the operating performance and key financial results for the three months ended September 30, 2015, and September 30, 2014, unless otherwise stated. You should read this table in conjunction with "Results of Operations and Financial Condition", "Presentation of Financial and Other Information" and "Condensed Consolidated Financial Statements", which are included elsewhere in this Interim Report.

Operating Performance

The table below sets forth, as of and for each of the periods indicated, homes connected, landlord ARPU, unique consumer subscribers, total consumer RGUs, consumer RGUs per unique subscriber, consumer ARPU, consumer churn and RGUs by service.

	As of and for the three months ended September 30,		As of and for the three months ended June 30,		As of and for the three months ended December 31,
	2015	2014	2015	2014	2014
	<i>(in thousands, except otherwise indicated)</i>				
Landlord Business					
Homes connected ⁽¹⁾	1,942	1,846	1,930	1,832	1,876
Landlord ARPU ⁽²⁾ (SEK).....	29	35	30	35	33
Consumer Business					
Unique consumer subscribers ⁽³⁾	903	861	894	846	876
Total consumer RGUs ⁽⁴⁾	1,610	1,531	1,600	1,503	1,566
Consumer RGUs per unique subscriber (in units)...	1.78	1.78	1.79	1.78	1.79
Consumer ARPU ^(2,5) (SEK).....	363	361	361	360	361
Consumer churn ⁽⁶⁾ (%).....	12.9	14.8	13.7	16.4	14.2
Consumer RGUs					
Digital TV.....	631	607	627	599	618
- of which TiVo customers.....	213	132	204	103	164
Broadband.....	648	594	637	577	612
Fixed Telephony.....	331	329	337	326	337

- (1) Homes connected represent the number of residential units to which Com Hem provides an analogue or digital connection, primarily through long-term contracts with landlords of MDUs, but also through service provider agreements with communication operators.
- (2) ARPU is calculated by dividing the revenue for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period divided by two.
- (3) Unique consumer subscribers represent the number of individual end users who subscribed for one or more of Com Hem's upgraded digital services as of the date indicated.
- (4) Consumer RGUs (revenue generating units) relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe for two different services, thereby accounting for only one subscriber but two RGUs.
- (5) Consumer ARPU is calculated by dividing all digital TV, broadband, fixed-telephony and other revenue that can be allocated to each consumer service, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of total unique subscribers is calculated as the number of unique subscribers on the first day in the respective period plus the number of unique subscribers on the last day of the respective period, divided by two.
- (6) Consumer churn is defined as the voluntary or involuntary discontinuance of services by a subscriber.

Landlord Business

As of September 30, Com Hem had 1,942,000 homes connected, an increase of 13,000 households in the third quarter. The increase comes mainly from the addition of new open LANs, as well as organic growth in existing open LANs.

Landlord ARPU decreased by SEK 1 to SEK 29, compared with the second quarter of 2015. The decline was due to the lower prices arising from contract renegotiations, and the decision by some landlords to sign group agreements when extending their agreements resulting in revenue previously recognised under landlord services relating to consumer services is now recognised under consumer services when the agreement has been extended. In addition, ARPU was also impacted by new homes connected via open LAN, where Com Hem does not provide any basic TV service and does not, therefore, receive any landlord revenue.

Consumer Business

As of September 30, the number of unique consumer subscribers increased by 9,000 to 903,000 as a result of continued stable growth in broadband and digital TV RGUs.

The number of consumer RGUs was 1,610,000, an increase of 10,000, due to continued stable growth in broadband and digital TV RGUs.

Consumer ARPU amounted to SEK 363 for the quarter, up SEK 2 compared with the second quarter of 2015, due to the price adjustments announced in spring with gradual effect during the second and third quarters.

The churn rate, expressed as the percentage of consumer subscriber discontinuance on an annual basis, was 12.9 per cent in the third quarter, a decrease of 0.8 p.p. from 13.7 per cent in the second quarter of 2015. The positive trend in the churn rate thus continued and was attributable to increased customer satisfaction following a temporary negative spike in the second quarter due to the price adjustments announced during the spring.

Consumer RGUs

The number of broadband RGUs rose 11,000 to 648,000 in the third quarter. Growth during the quarter reflects the continued high demand for Com Hem's market-leading broadband offering, which led to an increase in the number of broadband RGUs for the tenth consecutive quarter. The proportion of new customers who purchased broadband speeds of 100 Mbit/s or higher also continued to increase to 77 per cent, compared with 76 per cent in the second quarter of 2015.

In the third quarter, the number of digital TV RGUs rose 4,000 to 631,000. Since the TiVo service was launched in October 2013, 213,000 digital TV customers have signed a TiVo subscription, representing 34 per cent of the total digital TV RGU base.

The number of fixed-line telephony RGUs amounted to 331,000, down 5,000 compared with the preceding quarter. The decrease in fixed-line telephony RGUs was mainly due to lower new sales of telephony services during the second and third quarter.

Other Major Events During the Third quarter

For the first time, the number of unique consumer subscribers exceeded 900,000, totalling 903,000 at the end of the quarter.

A record-low churn rate of 12.9 per cent, down from 13.7 per cent in the second quarter.

Com Hem extended its partnership agreements with TV4 and Netflix.

Secured refinancing of the Euro Senior Notes, which is expected to save the company about SEK 100m in interest expense per annum, with effect from November 2015.

Major Events After the Third quarter

Gävle's municipal housing company, Gavlegårdarna, extended its agreement with Com Hem for a period of two years with an option to extend the term for another five years. The agreement means that access to broadband, digital TV and telephony from Com Hem will continue for Gavlegårdarna's 15,300 households.

Tobias Lennér appointed head of our B2B business and CEO of Phonera.

Key Financial Results

The table below sets forth, as of and for each of the periods indicated, revenue, Underlying EBITDA, Net result for the period, capital expenditure and operating free cash flow.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,255	1,210	3,729	3,532	4,761
Underlying EBITDA.....	593	577	1,759	1,687	2,267
Net result for the period	(140)	(152)	(257)	(989)	(1,350)
Capital expenditure.....	219	257	732	711	1,051
Operating free cash flow ⁽¹⁾	374	320	1,026	976	1,216

(1) Operating free cash flow is defined as Underlying EBITDA less Capital expenditure

Revenue for the Third quarter 2015

Total revenue rose SEK 45m to SEK 1,255m, compared with the third quarter of 2014.

Underlying EBITDA development for the Third quarter 2015

Underlying EBITDA increased SEK 16m to SEK 593m, and the Underlying EBITDA margin was 47.3 (47.7) per cent. The increase in Underlying EBITDA was mainly due to revenue growth from consumer services. The Underlying EBITDA margin was slightly lower as a result of higher marketing costs and changes in the revenue mix, with a decrease in revenue from the high margin landlord and fixed telephony services compensated by increase in revenue from services with slightly lower margins.

Net result for the period

The Group recognised a net loss of SEK 140m (152) in the three months ended September 30, 2015.

Capital expenditure for the Third quarter 2015

Capital expenditure for the third quarter amounted to SEK 219m, comprising 17.4 per cent of revenue. The year-on-year decline of SEK 38m was mainly due to lower capitalised sales commissions and lower IT investments. The decline in capitalised sales commissions was primarily the result of lower RGU growth during the third quarter of 2015 compared with the same quarter last year. IT investments fell due to the lower expenses for development projects. As previously announced, capital expenditure for the full-year 2015 is expected to be at approximately the same level as in the preceding year, but decline as a percentage of revenue due to revenue growth.

Operating free cash flow for the Third quarter 2015

Operating free cash flow increased SEK 54m in the third quarter, corresponding to 16.9 per cent, and amounted to SEK 374m (320). The increase was mainly the result of a higher Underlying EBITDA contribution and lower capitalised sales commissions compared with the same quarter last year.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion and analysis of the results of operations and financial condition of the Group, based on the unaudited condensed consolidated financial statements of the NorCell Group as of and for the three months and as of and for the nine months ended September 30, 2015 and 2014. You should read this discussion in conjunction with the condensed consolidated financial statements included elsewhere in this Interim Report.

Selected Financial Data

Condensed Consolidated Income Statement

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Revenue.....	1,255	1,210	3,729	3,532	4,761
Cost of sales and services.....	(620)	(580)	(1,834)	(1,714)	(2,315)
Gross profit.....	635	630	1,895	1,818	2,446
Selling expenses.....	(367)	(358)	(1,137)	(1,103)	(1,491)
Administrative expenses.....	(72)	(66)	(199)	(191)	(256)
Other operating income and expenses.....	4	0	(9)	(12)	(26)
Operating Profit.....	200	205	551	511	672
Net financial income and expenses.....	(379)	(341)	(879)	(1,728)	(2,572)
Income taxes.....	38	(16)	71	228	550
Net result for the period.....	(140)	(152)	(257)	(989)	(1,350)

Revenue

Total revenue rose SEK 45m to SEK 1,255m, compared with the third quarter of 2014. Total revenue for the first nine months rose SEK 197m to SEK 3,729m. Adjusted for the acquisition of Phonera, which is included in the Group's financial statements as of 31 March 2014, the increase was SEK 134m, representing an organic growth of 3.8 per cent.

The table below sets forth, for each of the periods indicated, revenue by service:

Service	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	(SEK in millions)		(SEK in millions)		(SEK in millions)
Consumer.....	946	889	2,796	2,632	3,540
Landlord.....	171	192	525	588	774
B2B.....	76	73	230	145	222
Other.....	61	57	178	167	226
Total Revenue.....	1,255	1,210	3,729	3,532	4,761

Comparisons between Q3 2015 and Q3 2014, unless otherwise stated.

Consumer Services

Revenue from consumer services rose SEK 58m, amounting to SEK 946m in the three months ended September 30, 2015. The increase was due to higher revenue from both our broadband and digital TV services.

Revenue from broadband services rose SEK 52m, amounting to SEK 425m. The increase in broadband revenue is attributable to more RGUs, an improved speed mix due to continued strong demand for our high-speed broadband packages, and the price adjustments gradually implemented during the last two quarters.

Revenue from digital TV rose SEK 14m, amounting to SEK 446m. The increase in digital TV revenue was due to a higher proportion of RGUs with TiVo packages, and the price adjustments implemented in some of the digital TV base in the second and third quarters. The revenue increase attributable to TiVo and price adjustments was partly offset by lower revenue from activation fees as a result of lower new sales and fewer migrations to TiVo compared with the same quarter last year.

The increased revenue from broadband and digital TV services, which totalled SEK 75m, was partly offset by a decrease of SEK 8m in revenue from fixed-line telephony, mainly due to lower variable fees.

Landlord Services

Revenue from landlord services declined SEK 20m, amounting to SEK 171m. The decline was mainly attributable to the lower prices arising from contract renegotiations, and a decision by some landlords to sign group agreements when extending the agreements, where revenue was previously recognised under landlord services, but the portion relating to consumer services is now recognised under consumer services when their agreements are extended. The decline is also due to lower index increases, which, in prior years, offset the price reductions arising from the renegotiation of landlord agreements.

B2B Services

B2B revenue was SEK 76m. The increase of SEK 4m is the result of growth of SEK 10m in Com Hem's network (OnNet) comprising 8,000 new, unique B2B SoHo OnNet customers compared with the same quarter last year. However, the increase in revenue was offset by lower telephony income in Phonera's OffNet operations.

Other Revenue

The Group's other revenue increased SEK 4m to SEK 61m, primarily due to higher revenue from iTUX, the Group's communication operator.

Operating profit (EBIT)

Operating profit for the third quarter amounted to SEK 200m, down SEK 5m. The decline in operating profit was mainly due to a SEK 24m higher depreciation and amortisation of CPEs and capitalised sales commissions, which were the result of volume growth in previous quarters this year and last year in both the consumer and the B2B operations. Operating profit for the first nine months of the year amounted to SEK 551m, up SEK 39m.

Depreciation and amortisation

Depreciation and amortisation for the third quarter increased SEK 24m to SEK 388m. The higher depreciation and amortisation was due to higher investments in CPEs (cost of services sold) and capitalised sales commission (selling expenses), as a result of increased sales in previous quarters this year and last year in both the consumer and the B2B operations. Depreciation and amortisation for the first nine months of the year increased SEK 92m to SEK 1,154m. The higher depreciation and amortisation was due to increased investments in CPEs (cost of services sold) and capitalised sales commission (selling expenses), as a result of higher sales in previous quarters this year and last year in both the consumer and the B2B businesses, and increased amortisation of customer relationships due to the acquisition of Phonera on 31 March 2014.

Net Financial Income and Expenses

Net financial income and expenses in the third quarter amounted to a net expense of SEK 379m (341). The increase of SEK 38m was due to higher net currency losses from EUR denominated debts partially offset by an increase in fair value of derivatives and lower average interest expense, mainly due to the refinancing carried out in the fourth quarter of 2014.

Income Taxes

The Group recognised a deferred tax income of SEK 38m (deferred tax expense of SEK 16m) for the three months ended September 30, 2015. Deferred tax income was SEK 71m (228) for the nine months ended September 30, 2015.

Net Result for the Period

The Group recognised a net loss of SEK 140m (152) for the three months ended September 30, 2015, and a net loss of SEK 257m (989) for the nine months ended September 30, 2015.

Reconciliation of the Net Result for the Period to Underlying EBITDA

The table below sets forth a reconciliation of net loss for the period to Underlying EBITDA for the three months ended September 30, 2015 and 2014, and for the nine months ended September 30, 2015 and 2014.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Net result for the period.....	(140)	(152)	(257)	(989)	(1,350)
Income taxes.....	(38)	16	(71)	(228)	(550)
Net financial income and expenses.....	379	341	879	1,728	2,572
Operating Profit.....	200	205	551	511	672
Write-downs ⁽¹⁾	-	-	9	4	15
Depreciation and amortisation.....	388	364	1,154	1,061	1,438
Non-recurring costs.....					
-of which TiVo and B2B launch.....	-	-	-	60	60
-of which acquisition costs ⁽²⁾	-	0	-	9	9
-of which redundancy.....	4	8	33	19	40
-of which other.....	1	(5)	3	13	16
Total non-recurring costs.....	5	3	36	102	125
Operating currency (loss)/gain	0	5	9	9	16
Underlying EBITDA.....	593	577	1,759	1,687	2,267

(1) Write-downs are related to capitalised sales commissions and production facilities.

(2) Include costs for legal and advisory fees for investment opportunities (including costs for acquiring Phonera Företag AB).

Underlying EBITDA

Underlying EBITDA increased SEK 16m to SEK 593m, and the Underlying EBITDA margin was 47.3 (47.7) per cent. The increase in Underlying EBITDA was mainly due to revenue growth from consumer services. The Underlying EBITDA margin was slightly lower as a result of higher marketing costs and changes in the revenue mix, with a decrease in revenue from the high margin landlord and fixed telephony services compensated by increase in revenue from services with slightly lower margins.

Capital expenditure (Capex)

Capital expenditure for the third quarter amounted to SEK 219m, comprising 17.4 per cent of revenue. The year-on-year decline of SEK 38m was mainly due to lower capitalised sales commissions and lower IT investments. The decline in capitalised sales commissions was primarily the result of lower RGU growth during the third quarter of 2015 compared with the same quarter last year. IT investments fell due to the lower expenses for development projects. Capital expenditure for the first nine months of the year amounted to SEK 732m, up SEK 21m, comprising 19.6 per cent of revenue. The increase was attributable to higher investments in broadband capacity and B2B services and increased investments in CPEs. As previously announced, capital expenditure for the full-year 2015 is expected to be at approximately the same level as in the preceding year, but decline as a percentage of revenue due to revenue growth.

Operating free cash flow

Operating free cash flow increased SEK 54m in the three months ended September 30, 2015, corresponding to 16.9 per cent, and amounted to SEK 374m (320). The increase was mainly the result of a higher Underlying EBITDA contribution and lower capitalised sales commissions compared with the same quarter last year.

Operating free cash flow was SEK 1,026m (976) in the nine months ended September 30, 2015.

Liquidity

As per 30 September 2015, the Group held SEK 813m (SEK 586m as per 31 December 2014) in cash and cash equivalents. The Group's total available funds including unutilised credit facilities of SEK 2,425m amounted to SEK 3,238m (SEK 1,181 as per 31 December 2014).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Interim Report presents the following financial information:

The unaudited condensed consolidated financial statements of the NorCell Group as of and for the three months and as of and for the nine months ended September 30, 2015 and 2014, and the audited condensed consolidated financial statements as of and for the year ended December 31, 2014. These accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Non-IFRS Financial Measures

The following financial measures included in this Interim Report are not measures of financial performance or liquidity under IFRS.

The non-IFRS financial measures presented herein are not recognised measures of financial performance under IFRS but measures used by Management to monitor the underlying performance of the business and operations. In particular, the non-IFRS financial measures should not be viewed as substitutes for profit/(loss) for the period, profit/(loss) after financial items, operating income, cash and cash equivalents at period end or other income statement or cash flow items computed in accordance with IFRS. The non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet the Group's cash requirements and may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of future results.

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Underlying EBITDA ⁽¹⁾	593	577	1,759	1,687	2,267
Underlying EBITDA margin (in %) ⁽²⁾	47.3	47.7	47.2	47.8	47.6
Operating free cash flow ⁽³⁾	374	320	1,026	976	1,216
Operating free cash flow margin (in%) ⁽⁴⁾	29.8	26.5	27.5	27.6	25.5

(1) Underlying EBITDA is defined as net result for the period before income taxes, net financial items, disposals, depreciation and amortisation, non-recurring costs and operating currency gain/(loss) ("Underlying EBITDA"). Depreciation and amortisation is recorded under costs of sales and services (depreciation and amortisation on fixed tangible and intangible assets related to cost of sales and services), selling expenses (depreciation and amortisation on fixed tangible and intangible assets related to the sales function) and administrative expenses (depreciation and amortisation on fixed tangible and intangible assets related to administrative functions). For a reconciliation of Net Result for the Period to Underlying EBITDA, see "Results of Operations and Financial Condition - Reconciliation of the Net Result for the Period to Underlying EBITDA".

(2) Underlying EBITDA margin is calculated as Underlying EBITDA as a percentage of revenue.

(3) Operating free cash flow is calculated as Underlying EBITDA, less capital expenditure.

(4) Operating free cash flow margin is calculated as operating free cash flow as a percentage of revenue.

Selected Operational Data

These non-IFRS measures have been presented in this Interim Report because they are considered to be important supplemental measures of Com Hem's performance and believed to be widely used by investors and prospective investors comparing performance between companies. Since not all companies compute these or other non-IFRS financial measures in the same way, the manner in which Management has chosen to compute the non-IFRS financial measures presented herein may not be comparable to similarly defined terms used by other companies.

	As of and for the three months ended September 30,		As of and for the three months ended June 30,		As of and for the three months ended December 31,
	2015	2014	2015	2014	2014
	<i>(in thousands, except otherwise indicated)</i>				
Landlord Business					
Homes connected ⁽¹⁾	1,942	1,846	1,930	1,832	1,876
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- of which TiVo customers.....	213	132	204	103	164
Broadband.....	648	594	637	577	612
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- (1) Homes connected represent the number of residential units to which Com Hem provides an analogue or digital connection, primarily through long-term contracts with landlords of MDUs, but also through service provider agreements with communication operators.
- (2) ARPU is calculated by dividing the revenue for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period divided by two.
- (3) Unique consumer subscribers represent the number of individual end users who subscribed for one or more of Com Hem's upgraded digital services as of the date indicated.
- (4) Consumer RGUs (revenue generating units) relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe for two different services, thereby accounting for only one subscriber but two RGUs.
- (5) Consumer ARPU is calculated by dividing all digital TV, broadband, fixed-telephony and other revenue that can be allocated to each consumer service, by the average number of total unique subscribers for the respective period, and further by the number of months in the period. The average number of total unique subscribers is calculated as the number of unique subscribers on the first day in the respective period plus the number of unique subscribers on the last day of the respective period, divided by two.
- (6) Consumer churn is defined as the voluntary or involuntary discontinuance of services by a subscriber.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements present the NorCell Group as of and for the three months ended September 30, 2015 and 2014, as of and for the nine months ended September 30, 2015 and 2014, and as of and for the year ended December 31, 2014.

Condensed Consolidated Income Statement

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Revenue.....	1,255	1,210	3,729	3,532	4,761
Cost of sales and services.....	(620)	(580)	(1,834)	(1,714)	(2,315)
Gross profit.....	635	630	1,895	1,818	2,446
Selling expenses.....	(367)	(358)	(1,137)	(1,103)	(1,491)
Administrative expenses.....	(72)	(66)	(199)	(191)	(256)
Other operating income and expenses.....	4	0	(9)	(12)	(26)
Operating Profit.....	200	205	551	511	672
Net financial income and expenses.....	(379)	(341)	(879)	(1,728)	(2,572)
Result after financial items.....	(178)	(136)	(328)	(1,217)	(1,900)
Income taxes.....	38	(16)	71	228	550
Net result for the period.....	(140)	(152)	(257)	(989)	(1,350)
Profit/loss per share					
Basic (SEK).....	(234)	(253)	(428)	(1,648)	(2,250)
Diluted (SEK).....	(234)	(253)	(428)	(1,648)	(2,250)

Other Comprehensive Income

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2015	2014	2015	2014	2014
	<i>(SEK in millions)</i>		<i>(SEK in millions)</i>		<i>(SEK in millions)</i>
Net result for the period.....	(140)	(152)	(257)	(989)	(1,350)
Other comprehensive income					
Components not to be reclassified to net profit/loss					
Revaluation of pension obligations.....	(5)	(29)	35	(67)	(110)
Tax attributable to revaluation of pension obligations.....	1	6	(8)	15	24
Total other comprehensive income for the period, net of tax.....	(4)	(23)	27	(53)	(86)
Total comprehensive income for the period.....	(144)	(175)	(230)	(1,041)	(1,436)

Condensed Consolidated Balance Sheet

	As of September 30, 2015	As of September 30, 2014	As of December 31, 2014
	<i>(SEK in millions)</i>	<i>(SEK in millions)</i>	<i>(SEK in millions)</i>
Non-current assets			
Intangible assets.....	15,605	16,126	16,041
-of which goodwill.....	10,899	10,899	10,899
Property, plant and equipment.....	1,510	1,469	1,505
Other non-current assets.....	541	-	267
Total non-current assets.....	17,656	17,595	17,813
Current assets.....	745	652	791
Cash and cash equivalents.....	813	678	586
Total current assets.....	1,558	1,330	1,377
Total assets.....	19,214	18,924	19,190
Total equity.....			
	649	1,339	1,236
Non-current interest-bearing liabilities.....	16,501	14,770	15,893
-of which intercompany loans.....	7,024	6,279	6,501
Other non-current liabilities.....	212	191	236
Deferred tax liabilities.....	149	458	212
Total non-current liabilities.....	16,861	15,420	16,341
Current interest-bearing liabilities.....	30	472	30
Other current liabilities.....	1,674	1,694	1,584
Total current liabilities.....	1,704	2,165	1,614
Total equity and liabilities.....	19,214	18,924	19,190
Opening Total equity beginning of period.....			
	1,236	(664)	(664)
Net result for the period.....	(257)	(989)	(1,350)
Other comprehensive income for the period, net of tax.....	27	(53)	(86)
Total comprehensive income for the period.....	(230)	(1,041)	(1,436)
Transactions with owners of the company			
Dividend.....	(357)	-	-
Repurchase of warrants.....	(1)	-	-
Shareholder's contribution.....	1	3,044	3,044
Group contribution, net of tax.....	-	-	291
Closing Total equity end of period.....	649	1,339	1,236

Condensed Consolidated Cash Flow Statement

	For the three		For the nine		For the year
	months ended September 30,		months ended September 30,		ended
	2015	2014	2015	2014	December 31,
	(SEK in millions)		(SEK in millions)		2014
					(SEK in millions)
<i>Operating activities</i>					
Result after financial items.....	(178)	(136)	(328)	(1,217)	(1,900)
Adjustments for items not included in cash flow*.....	734	574	1,818	2,048	2,696
Change in working capital.....	68	(43)	10	(183)	(159)
Cash flow from operating activities.....	623	396	1,500	648	637
<i>Investing activities</i>					
Acquisition of intangible assets.....	(72)	(106)	(287)	(289)	(429)
Acquisition of property, plant and equipment.....	(147)	(151)	(430)	(421)	(594)
Acquisition of subsidiaries.....	-	-	-	(302)	(302)
Investment in financial assets.....	(260)	-	(260)	-	-
Divestment of financial assets.....	0	6	0	6	6
Cash flow from investing activities.....	(479)	(251)	(977)	(1,006)	(1,318)
<i>Financing activities</i>					
Shareholder's contribution.....	-	1,554	-	3,044	3,044
Dividend paid.....	-	-	(357)	-	-
Repurchase of shares and warrants.....	-	-	(1)	-	-
Borrowings.....	-	-	100	4,800	8,575
Amortisation of borrowings.....	(9)	(1,468)	(24)	(7,868)	(11,366)
Payment of borrowing costs.....	(3)	(6)	(14)	(62)	(108)
Cash flow from financing activities.....	(11)	80	(296)	(86)	145
Net cash flow for the period.....	133	225	227	(444)	(536)
Cash and cash equivalents at beginning of period.....	681	453	586	1,122	1,122
Cash and cash equivalents at period end.....	813	678	813	678	586

*Adjustment for items not included in cash flow

	For the three		For the nine		For the year
	months ended September 30,		months ended September 30,		ended
	2015	2014	2015	2014	December 31,
	(SEK in millions)		(SEK in millions)		2014
					(SEK in millions)
Depreciation and amortisation of assets.....	388	364	1,154	1,061	1,438
Unrealised exchange rate differences.....	100	(23)	(53)	173	339
Capital gain from divestment of non-current assets	-	-	9	-	-
Unrealised change in fair value of derivatives.....	(37)	(1)	(7)	(118)	(158)
Change in capitalised borrowing expenses and discounts.....	9	14	27	294	432
Change in accrued interest expenses.....	81	150	130	64	(124)
Redemption premium.....	-	(99)	-	-	-
Interest not settled with cash, group companies.....	188	167	546	562	743
Other profit/loss items not settled with cash.....	5	4	12	11	26
Total	734	574	1,818	2,048	2,696

Notes to the Condensed Consolidated Financial Statements

Note 1 Basis of Preparation

The consolidated accounts of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU and disclosed in the Group's Annual Report for 2014 and presented in million Swedish kronor (SEKm) which is also the Group's functional currency. The new or amended IFRS, which became effective on January 1, 2015, have had no material effect on the Consolidated Financial Statements. The Interim Report is prepared in accordance with IAS 34 Interim Financial Reporting.

The Interim Report has been approved for issuance by the Board of Directors on November 3, 2015.

Operating Segments

The operations of the Group are integrated and constitute a single operating segment that offers bundled services to Consumers (digital TV, broadband and fixed telephony), B2B (broadband and telephony) and Landlord (basic TV service), in a single market, Sweden. This is also the base of the Group's management structure and the structure for internal reporting, which is controlled by the Group's Chief Executive Officer, who has been identified as the chief operating decision maker. As such, the Group does not present any operating segment information.

Note 2 Revenue

Total revenue amounted to SEK 3,729m (3,532) in the nine months ended September 30, 2015. Consumer revenue amounted to SEK 2,796m (2,632), or 75.0 (74.5) per cent of total revenue, whereof digital TV revenue amounted to SEK 1,334m (1,298), or 35.8 (36.8) per cent of total revenue, broadband revenue amounted to SEK 1,233m (1,074), or 33.1 (30.4) per cent of total revenue, and fixed telephony amounted to SEK 230m (260), or 6.2 (7.4) per cent of total revenue. Landlord revenue amounted to SEK 525m (588), or 14.1 (16.7) per cent of total revenue. B2B revenue amounted to SEK 230m (145), or 6.2 (4.1) per cent of total revenue. Other revenue amounted to SEK 178m (167), or 4.8 (4.7) per cent of total revenue.

Revenue	For the nine months ended September 30,		For the nine months ended September 30,
	2015	% Change	2014
SEK in million			
Consumer.....	2,796	6.2	2,632
Landlord.....	525	-10.8	588
B2B.....	230	59.4	145
Other.....	178	6.1	167
Total.....	3,729	5.6	3,532

Note 3 Operating Expenses

The Group's cost of sales and services amounted to SEK 1,834m (1,714), or 49.2 (48.5) per cent of total revenue in the nine months ended September 30, 2015. Selling expenses amounted to SEK 1,137m (1,103), or 30.5 (31.2) per cent of total revenue, administrative expenses amounted to SEK 199m (191), or 5.3 (5.4) per cent of total revenue and the Group's net other operating income and expenses amounted to an expense of SEK 9m (12).

Note 4 Financial Income and Expenses

Financial income and expenses summarised to a net financial expense of SEK 879m (1,728) in the nine months ended September 30, 2015.

The lower net expense was due to lower average interest rates due to the refinancing carried out in the second and fourth quarter of 2014.

Note 5 Income Taxes

The Group recognised a deferred tax income for the nine months ended September 30, 2015 of SEK 71m (228).

Note 6 Net Result for the Period

The Group recognised a net loss of SEK 257m (989) in the nine months ended September 30, 2015.

Note 7 Capital Expenditure (capex)

Capital expenditure for the first nine months of the year amounted to SEK 732m, up SEK 21m, comprising 19.6 per cent of revenue. The increase was attributable to higher investments in broadband capacity and B2B services and increased investments in CPEs. As previously announced, capital expenditure for the full-year 2015 is expected to be at approximately the same level as in the preceding year, but decline as a percentage of revenue due to revenue growth.

Note 8 Liquidity and Financial Position

As per 30 September 2015, the Group held SEK 813m (SEK 586m as per 31 December 2014) in cash and cash equivalents. The Group's total available funds including unutilised credit facilities of SEK 2,425m amounted to SEK 3,238m (SEK 1,181m as per 31 December 2014).

The loan facilities with credit institutions are conditional on the Group continually satisfying a predetermined financial key metric, referred to as the covenant. The covenant is consolidated net debt (Interest-bearing liabilities, excluding borrowing costs and intercompany loans, less cash and cash equivalents) in relation to consolidated Underlying EBITDA LTM. In addition, there are provisions and limitations in loan agreements for the credit facilities with credit institutions and bond loans regarding further debt gearing, guarantee commitments and pledging, material changes to operating activities, as well as acquisitions and divestments. The conditions had been met by a solid margin as per 30 September 2015.

Note 9 Equity

The Group has distributed a dividend of SEK 357m to the Parent company Com Hem Holding AB (publ).

Note 10 Fair Value of Derivative Instruments

In order to decrease the Group's interest-rate risks and currency exposure, certain derivatives have been entered into. The derivatives are measured at fair value and are recognised in profit or loss. Hedge accounting is not applied. The fair value of the Group's financial assets and liabilities are estimated to be equal to the carrying amounts. The Group only holds level 2 instruments as described in the Group's 2014 Annual Report. There were no transfers between levels or valuation techniques during the period. Changes in the fair value of derivatives were recognised to the amount of SEK 7m (118) in financial income and expenses for the year.

The following table illustrates the fair value of the derivatives at period end.

SEK in millions	As of September 30, 2015	As of September 30, 2014	As of December 31, 2014
Derivatives (CIRS).....	46	(1)	39
Derivatives (currency forward contracts).....	0	-	-
Financial assets/liabilities.....	46	(1)	39

Note 11 Risks and Uncertainty Factors

The Group and the parent company have identified a number of operational and financial risks. Operational risks include increased competition, the ability to attract and retain customers, technical development, regulatory environment and substitution from fixed to mobile telephony. Financial risks include liquidity, credit, interest rate, and currency risks. For a detailed description of the significant risk factors for the Group's future development please see the description in the Group's 2014 Annual Report. The Group believes that the risk environment has not materially changed from the description in the 2014 Annual Report.

Note 12 Events During the Third quarter

For the first time, the number of unique consumer subscribers exceeded 900,000, totalling 903,000 at the end of the quarter.

A record-low churn rate of 12.9 per cent, down from 13.7 per cent in the second quarter.

Com Hem extended its partnership agreements with TV4 and Netflix.

Secured refinancing of the Euro Senior Notes, which is expected to save the company about SEK 100m in interest expense per annum, with effect from November 2015.

Note 13 Subsequent Events

Gävle's municipal housing company, Gavlegårdarna, extended its agreement with Com Hem for a period of two years with an option to extend the term for another five years. The agreement means that access to broadband, digital TV and telephony from Com Hem will continue for Gavlegårdarna's 15,300 households.

Tobias Lennér appointed head of our B2B business and CEO of Phonera.



For further information

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About Com Hem

Com Hem is one of Sweden's leading suppliers of television, broadband and fixed-telephony. Approximately 40 per cent, 1.9 million, of Sweden's households are connected to Com Hem's network, with access to the market's broadest range of television services. Com Hem offers attractively priced, high-quality services for television, broadband, fixed-telephony and has a competitive B2B-offer of broadband and telephony services. Com Hem was established in 1983, has approximately 1,200 employees and its head office in Stockholm. The shares of Com Hem Holding AB (publ) are listed on NASDAQ Stockholm, Large Cap, under the ticker symbol, COMH.